

## South Carolina Energy Advisory Committee

October 8, 2003 Meeting Minutes

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*Attached is a list of committee members, staff and invited guests in attendance.*

The Energy Advisory Committee (EAC) meeting began at 1:08 p.m. Public notification of this meeting was done in compliance with State law. The topics of discussion are arranged under each agenda item in the order that they occurred.

I. Introduction & Welcome

Chairman Reid greeted everyone and called the meeting to order.

II. Approval of Minutes from February 18, 2003, Meeting

**Mr. Bob Long made a motion to approve the minutes as presented. The motion was seconded by Mr. David Logeman and unanimously approved.**

III. Energy Office Activities

Dr. John Clark, Director, South Carolina Energy Office, (SCEO) updated the Committee on various activities of the Office.

*SCEO Annual Report:* Dr. Clark first presented a copy of the Annual Report for Fiscal Year 2003. This report was done in response to comments made at the last meeting. The various sections of the report were highlighted and brief comments were made on each. He asked that members take note of Section A, Facilities, which highlights energy consumption in public buildings. He also asked if there were any suggested changes for the report by the Committee members. There were none. He announced that, in addition to the EAC members, the report will be distributed to the members of the Budget & Control Board, Senior Management, and it will be available on the SCEO website.

*Forecasting Project:* Dr. Clark reported that at the request of the Committee, the staff has been trying to develop a process whereby they can forecast energy supply and demand by sector; and try to put South Carolina in a position of making policy decisions based on state specific supply and demand. This will be accomplished on the basis of good forecasting. A draft Request for Proposal (RFP) was distributed for the Committee to review. This RFP is for someone to supply the office with the tools needed for forecasting. Chairman Reid recognized David Logeman as the chair of the subcommittee spearheading this project. This subcommittee has met, and the staff has conducted research and consulted with other energy offices in the United States to find a model to use as a pattern for South Carolina. Dr. Clark reported that the staff is seeking a software package that would allow them to consistently, over time, enter variables and run various scenarios as to what the energy picture will be 5, 10 or 15 years out. He then asked Ms. Chantal Fryer, SCEO, to comment on this project.

Ms. Fryer reported that the subcommittee is also soliciting assistance from internal Budget and Control Board offices that have experience in doing RFP's for their comments.

Chairman Reid asked David Logeman to comment on the draft RFP. Mr. Logeman stated that this is the first time the subcommittee has seen a copy of this product. The subcommittee is asking the full Committee to review and comment on the draft for the final RFP production. Mr. Logeman also commended the SCEO staff for the work done thus far on this project.

Ms. Nancy Vinson asked if the tool would be able to forecast demand side management measures and increased needs in the future. Dr. Clark responded that the intention is to be able to enter scenarios where if the cost is known of the additional supply, then the value of demand reduction can be found. He said that this will be a tool created by the SCEO. It will be available to members of the Committee if anyone wants scenarios run, or if they want to use it for policy concerns to be advocated. It will be available to the Governor, State legislature, the Department of Commerce and utilities, among others. It is a tool that could be used for policymaking in the state, but the SCEO would only be providing information.

There was additional discussion about this project, and David Logeman stated that he believes the first thing to be done with any forecasting product is to forecast a scenario for what happens if nothing changes. He further stated that the model can implement changes to further gauge what effects changes in variables would cause. This model will be able to forecast changes in natural gas and other fuels, as well as electricity.

Mr. Gerald Caughman stated that he is delighted to be a part of the process, the staff has tried to work with the subcommittee to present options, and he is confident we are headed in the right direction. However, he commented that it may be difficult to find a suitable model for the price. More importantly and overall, it is critical the Office develop a forecast of the energy picture for South Carolina using a model or not. He said that he finds it difficult to see how a strategic plan can be developed without doing this.

Chairman Reid said that this draft RFP has been submitted to the Committee as information only, and he encouraged the Committee to give any comments on the document to Mr. Logeman, Mr. Long or Mr. Caughman.

Mr. Long asked about the timeframe in which the RFP will be sent out. Dr. Clark said that after all comments have been given and necessary revisions have been made, the subcommittee will be asked to give the document a final review and approval for the staff to send out.

*ConserFund:* Dr. Clark updated the Committee on the ConserFund Loan Program. He referenced a handout that listed the loans to-date. He said that the loan requests have exceeded the available resources. Last year, the SCEO committed \$2.9 million. This fiscal year, the office has committed a total of \$1,030,000, and has pending applications. He said that the staff is proposing revisions to the process. The Committee was asked to give feedback and comments on the revisions. Once this is done, the proposal will be given to Budget and Control Board management for approval. Dr. Clark stated that in the past, loans were granted

on a first come, first serve basis. When an eligible project met the basic criteria, it was funded. Eight million dollars has been put into the fund, and almost \$5.5 million has been loaned out. Payments have been coming back in, so, there is more than \$3.5 million to loan, but, the SCEO cannot continue to loan at this rate.

Details of various projects were discussed. Dr. Clark then explained that the office would like to make smaller loans, and loans to the most attractive borrowers in the terms of energy savings in the rate of payback. He asked the Committee for feedback regarding the changes.

Mr. Painter had a question regarding the loan payback and there was a discussion on ranking loans in order of payback. Dr. Clark stated that if the energy savings are the same, then the loans would be ranked in order of how quickly it would be paid back. He noted that typically the applicants with the smaller projects are the ones most in need.

Mr. Caughman asked for clarification on projects with alternate financing, and wanted to know if their project fits into the scope of payback, how they would fit in. Dr. Clark referenced a program administered by the State Treasurer's Office that the SCEO may be able to market. He said that Karen Hudson is going to meet with a representative from the Treasurer's office to talk about the marketing of their program. If a project qualifies for their funding, the SCEO would coordinate the loan, using the Treasurer's Office funds.

Dr. Clark then asked the Committee to refer to Item # 10, in the proposal, referencing the Loan Approval Committee, along with senior staff members. He said that they are suggesting that the Chairman of the Energy Advisory Committee, or his designee, serve as a member of the Loan Approval Committee.

Chairman Reid then stated that the money held by State Treasurer's Office in the oil overcharge account is the source of funds for energy efficiency projects. He also stated concerns about the timing of making changes to the loan approval process and how the program would be affected by a change of this nature at this time.

Dr. Clark stated that without changes to the program, the money will be loaned out on a first come first serve basis, eventually causing loans to be denied based on lack of funds. He said that Karen Hudson has run actuarial tables to determine how the program could be sustained. Based on this information, the maximum amount available to loan this year would be \$4 million (the \$1 million loaned out, in addition to another \$3 million). After this, the office could loan approximately \$2 million a year based on need, and the program would run indefinitely. The other option would be to approve loans based on the available money until all of the funds have been disbursed. He said that one of the services of the office, providing energy audits, gives the ability to determine the savings for the agencies over a specific period of time.

Mr. Jim Grahl was concerned that the program, which was established to assist smaller counties and school districts would no longer be of benefit to them when prioritizing loan approvals based on payback. It was noted that Item # 8 of the proposal is a stipulation that would allow

for loan approval to smaller counties and school districts based on hardship, even if the projects have an energy cost savings payback of greater than eight years.

Ms. Nancy Vinson wanted to know how this would affect projects that would save energy, but over a longer period of time, such as renewable energy projects. Dr. Clark replied that loan exceptions could be made for renewable energy loans. He noted that the office will be marketing renewable type loans in the future.

There was additional discussion and Mr. Grahl asked if the Office provided energy audits. Dr. Clark stated that the audits are performed by contract engineers, with SCEO staff administering the program. Mr. Grahl's concern is that there are agencies that need the audits but do not have the funds to pay for it. Dr. Clark said that the office pays for these audits, and will follow up with him with this information.

Dr. Clark said that the SCEO goal is to make projects happen that may not happen otherwise.

With the request of Dr. Clark, Chairman Reid asked the sense of the Committee on the direction of the proposed changes to the ConserFund loan program. Mr. Plowden commented that matching the term of the loan to the loan payback period is a good idea.

**Ms. Nancy Vinson made a motion to endorse the prioritization of loans based on the energy efficiency payback and financial hardship. The motion was seconded by Mr. Jim Painter and unanimously approved.**

*School Grant Update:* Dr. Clark gave a status report on this project. He reported that this program was instituted in 2000, with \$3 million dollars being allocated towards the 28 poorest school districts in the state. (It is noted that this is a separate program from the loan money that is used for public schools in the ConserFund program). It is a matching program, 75% grant with the school districts providing a 25% match. Three cycles were done, and each district could get as many as two grants over the three cycles, for as much as \$75,000 per cycle. Each district qualified for \$150,000. Commitments have been made for \$2.9 million and there is \$100,000 available at this time.

This Program concentrated on lighting, and other energy efficiency improvements were added this year. This Program is a success. The lighting has been upgraded in many schools, improving the learning environment for the school districts.

The Committee discussed the status of various projects and the idea of continuing this Program in the future.

#### IV. State Energy Program (SEP)

Dr. Janet Lockhart updated the Committee on the State Energy Program (SEP). She reported that the SEP, which is administered by the U.S. Department of Energy, promotes energy efficiency and the use of renewable resources. Each state develops its own program of activities by combining federal funding with state and other funds. The federal funding

received is a yearly allocation and each state takes its allocation and combines it with other available funds to provide services and support projects.

South Carolina's 2003/2004 SEP Plan has 15 major program activities. All of the activities are included in the Strategic Energy Action Plan. They are organized in the State Energy Program differently to meet the standard categories that the federal government provides. This year's plan has about \$700,000 in federal funds. The bulk of the program is funded by the Petroleum Violation Escrow Funds, in the amount of \$3 million. These funds are used for general activities such as technical assistance, audits, workshops and energy education programs. The ConserFund Revolving Loan Fund is also a portion of this program. Eight million dollars has been allocated for this program, but we are not expected to spend this amount in one year.

#### V. Special Project Grant Awards

Dr. Lockhart explained that DOE put out a solicitation in December of last year to all Energy Offices to prepare proposals in the different categories. The SC Energy Office forwarded the solicitations to parties in the state with an interest in projects in the various categories. The office submitted 12 proposals for consideration. The projects were selected competitively in each category and the SCEO was awarded the following:

**Biomass Lesson Plans:** The partner for this project is Ag in the Classroom. The project will develop lesson plans on biomass energy; train middle and high school teachers; and distribute lesson plans to middle and high schools. Federal funding for this project is \$57,010 and the cost share is \$32,178.

**Industries of the Future:** The partner for this project is South Carolina Manufacturing Extension Partnership (SC MEP). The project will provide technical assistance and conduct an Industries of the Future Energy Expo. Federal funding is \$100,000 and the cost share is \$43,400.

**Million Solar Roofs: Phase 2:** The partner for this project is the SC Million Solar Roofs Partnership Initiative. This project will track progress toward the goal of 500 solar installations by 2010; organize the SC Chapter of the American Solar Energy Society; conduct education and marketing program; and address financial barriers to solar installations. Federal funding is \$46,800 and the cost share is \$14,840.

There was a brief discussion on projects that have been awarded in the past that were highly successful, namely, the NICE3 (National Industries Competitiveness) award to LINPAC Paper, Inc., and a Geothermal Heat Pump award to Berkeley County Cooperative. Mr. Plowden asked how small manufacturers can get information on the various projects, and contact information was given.

The question was asked how the interest rate is set on the ConserFund. Dr. Clark replied that the formula was based on prime in the past, but, there were no loans being made, so the rate was lowered to 1%. The Office would like to see the rate changed to prime minus 1 in order to

extend the money. It is uncertain if this is the time to raise the rate due to the severe budget crisis that the State is currently in.

## VI. Electricity Reliability Update

Mr. Bob Long introduced Mr. Clay Young, Manager - Transmission Planning for SCE&G. Mr. Young provided information on the details of the blackout, including the sequence of events during the blackout and the performance of the SCE&G system during this time. Other information provided included a status of current investigative efforts into the blackout and a discussion on how SCE&G is participating in these investigations. Mr. Young discussed electric grid reliability and provided insight on potential causes of an electric grid blackout. He discussed specific SCE&G planning and operating practices and stated that due to these specific practices and because SCE&G and their southeastern utilities comply with “reliability rules”, it is unlikely that an event as large as the Northeast Blackout can or will occur in South Carolina. Mr. Young stated that SCE&G is focused on serving South Carolina customers and because SCE&G has been successful in siting local generation and building local lines to serve South Carolina, our reliance on the electric grid outside of South Carolina is small.

## VII. Natural Gas Update

Mr. Mike Wingo, General Manager for Gas Procurement and Asset Management, SCANA, discussed natural gas supply and pricing issues relevant to the country and the state. He stated that the near term supply crunch envisioned coming out of the winter of 2002 – 2003 had been avoided over the summer primarily due to mild summer weather. The mild summer decreased demand for natural gas for electric generation and allowed gas utilities to replenish their storage inventories for the upcoming winter of 2003 – 2004 to normal levels which was an achievement considered doubtful in the spring of 2003. He discussed the need to increase new gas production to meet increased demand for natural gas primarily for electric generation.

With regard to natural gas pricing, Mr. Wingo discussed many factors which influence prices. These factors include: weather, supply, demand, oil prices, the economy (domestic and foreign), technical trading of natural gas commodities, and psychological influences.

## VIII. Energy Use in Manufactured Housing

Mr. Mark Dillard, Executive Director, Manufactured Housing Institute of South Carolina, gave a brief history of the industry’s progression. He said that manufactured houses (still called mobile homes by many) have changed their image since the early 1980’s. The 1992 Energy Efficiency Act created an energy efficiency incentive for manufactured homes. This Act raises sales taxes on homes that do not meet the efficiency standard, and reduces sales tax on those which do. The standards are: insulation equivalent to R-30 ceiling, R-11 walls, and R-19

floors (total R-60); storm or double-pane glass windows, and insulated or storm doors. He further noted that in 1994, energy standards were amended to allow for equivalent heat loss calculations using ASHRAE formula.

He reported that it is estimated that 69% of the homes sold in 2002 were energy efficient homes and the projected new home sales for 2003 is 6,000.

There was a brief discussion regarding the typical heating systems that are installed in the homes and heat pump efficiency.

Mr. Dillard acknowledged his appreciation to be able to present this information to the Committee and for the assistance he receives from the South Carolina Energy Office staff.

## IX. Other Business

Mr. Bob Long asked a question relative to the Energy Consumption Report and the tables relating to consumption in the school districts. It was determined that the use of computers, enhancements to the lighting system to create a better learning environment, air conditioning units, etc., create increases in energy bills in many instances.

Dr. Clark announced that the SCEO brochure has been slightly revised and wanted everyone to be aware of the changes. He said that it shows the new website address for the office, which is now: [www.energy.sc.gov](http://www.energy.sc.gov). He mentioned that the staff e-mail addresses have changed as well to reflect "sc.gov", but the old addresses do still work.

Chairman Reid announced that D'Juana Wilson has parking validation stickers for those who parked in the building garage.

In closing, he encouraged the members to continue to keep in touch with the SCEO staff and what is going on in the office; and to assist the staff with the progression of the office programs.

Mr. Reid announced that without further comment, the meeting stands adjourned at 3:40 PM.

## **Attachment A**

### **Committee Members in Attendance**

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1. Mr. Gerald Caughman (representing individual consumers)
  2. Mr. David Logeman (representing Electric Cooperatives)
  3. Mr. Jim Grahl (representing commercial consumers)
  4. Mr. Bob Long (representing investor-owned gas companies)
  5. Mr. James Painter (representing industrial consumers)
  6. Mr. Elliott Elam (Acting Consumer Advocate)
  7. Mr. David Reid (Governor's Appointee)
  8. Ms. Nancy Vinson (representing environmental groups)
  9. Mr. Eddie Plowden (representing Electric Cooperatives)
  10. Mr. Mitch Williams (representing investor-owned electric companies)
  11. Mr. George Acker (pending appointee for investor owned companies– Electricity)
  12. Mr. C. P. Thomas (pending appointee for commercial consumers)
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#### **Absent Members:**

Mr. Benedict Shogaolu, (representing Non-profit Public Transportation providers);  
Ms. Rebecca Matthey, (representing Municipalities);  
Mr. Jim Cumberland (representing environmental groups);  
Mr. Marc Tye (representing Santee Cooper);  
Mr. James Clark (representing Propane Suppliers/Dealers);  
Mr. Kenneth Cosgrove (representing Oil Suppliers/Dealers);  
Mr. Avery Hilton (pending appointee for industrial consumers)

Vacancy for publicly-owned natural gas representative

#### **Invited Speakers:**

Mr. Clay Young, Manager, Transmission Planning, SCE&G  
Mr. Mike Wingo, General Manager, Gas Procurement and Asset Management, SCANA  
Mr. Mark Dillard, Executive Director, Manufactured Housing Institute of South Carolina

#### **Staff Attending:**

Dr. John Clark  
Dr. Janet Lockhart  
Ms. Kate Billing  
Ms. Karen Hudson  
Ms. D'Juana Wilson  
Ms. Chantal Fryer  
Ms. Teka Roundtree